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DE RUEHEG #2404 3291259
ZNR UUUUU ZZH
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TO RUEHC/SECSTATE WASHDC PRIORITY 0907
INFO RUEHAM/AMEMBASSY AMMAN PRIORITY 1981
RUEHTV/AMEMBASSY TEL AVIV PRIORITY 1798
RUEHJM/AMCONSUL JERUSALEM PRIORITY 1084
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RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

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SENSITIVE
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DEPT FOR NEA/ELA AND NEA/IPA
TEL AVIV FOR APRIL COHEN
TREASURY FOR BRYAN BALIN AND FRANCISCO PARODI
WHITE HOUSE FOR USTR/SONIA FRANCESKI

E.O. 12958: N/A
TAGS: ECON EFIN ETRD EINV PGOV PREL IS EG
SUBJECT: NEA/ELA DIRECTOR DISCUSSES QIZ EXPANSION WITH
MINISTRY OF TRADE

¶11. (U) Summary: In a meeting with NEA/ELA Director Nicole Shampaine, officials from the Egyptian Ministry of Trade and Industry expressed their frustration with what they felt was excessive delay in United States Trade Representative's (USTR's) consideration and approval of a 2007 request to expand Qualifying Industrial Zones (QIZ's) to Upper Egypt. They emphasized that the expansion was aimed at social and economic stability in the poorest region of Egypt, and that the composition and volumes of potential duty-free imports into the US were not threats to US producers. End Summary.

¶12. (U) On November 17, NEA/ELA Director Nicole Shampaine and econoff met with Ali Awny, QIZ Unit Head in the Ministry of Trade and Industry, and Sayed Elbous, Minister Plenipotentiary and Sr. Advisor to the Minister of Trade and Industry to discuss the GOE/GOI proposed QIZ expansion into Upper Egypt. Both Awny and Elbous expressed concerns that the US would not act on their proposal in the remaining days of the current Presidential administration, and that the Obama administration might not be able to focus on this issue for a long time.

¶13. (SBU) Elbous expressed his frustration with what he considered the United States Trade Representative's (USTR's) unwillingness to respond to this request, initially made last year. He said that they have provided all of the information that they can to USTR and that the USTR is asking for detailed long-term planning information that doesn't exist and cannot be collected. Elbous reiterated the GOE position that the proposal would have several benefits, including increasing support for normalization of Egypt-Israel relations in a conservative region of Egypt, and increasing social and political stability in Upper Egypt.

¶14. (SBU) Awni and Elbous both emphasized that expansion of QIZ's was not a threat to US industry. Egyptian producers, they said, were not competing with US textile companies but were merely trying to maintain market share in the face of stiff competition from China and the Far East. They also suggested that the expansion would enable expansion of non-textile exports such as dried foods. The proposed expansion of QIZ's, according to Awny, was also targeting existing QIZ firms to encourage them to relocate from the Delta and Greater Cairo to Upper Egypt, in order to take advantage of labor surpluses in the area, one of the poorest in Egypt. As a result, they explained, there would be minimal net increases of exports from those firms. Shampaine said she would follow up on this issue with USTR.

¶5. (U) This cable was cleared by NEA/ELA Director Nicole Shampaine.
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